

WHITE PIGEON SANITARY SYSTEM
WHITE PIGEON, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Pigeon Sanitary System	County St. Joseph
Audit Date 12/31/04	Opinion Date 1/19/05	Date Accountant Report Submitted to State: 4/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

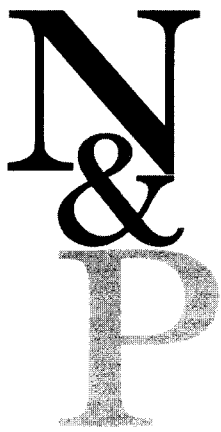
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.			
Street Address 123 N. Main Street		City Three Rivers	State MI
Accountant Signature Norman & Paulsen, P.C.		ZIP 49093	Date 4/27/05

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Norman & Paulsen, P.C.

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of the
White Pigeon Sanitary System,
White Pigeon, Michigan

We have audited the accompanying financial statements of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of and for the year ended December 31, 2004, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the White Pigeon Sanitary System, White Pigeon, Michigan as of December, 2004, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the System has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis beginning on page iii through vii is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the White Pigeon Sanitary System's basic financial statements. The schedules of revenues, expenses and reserves for the Collection System and Debt Service, schedule of allocated indebtedness is presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. .

N & P, P.C.

Norman & Paulsen, P.C.

January 19, 2005
Three Rivers, Michigan

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

As management of the White Pigeon Sanitary System, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal year ended December 31, 2004. The System implemented *Governmental Accounting Standards Board Statement 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* for the first time this year.

Financial Highlights

- The assets of the System exceeded its liabilities at December 31, 2004 by \$7,023,007. Of this amount unrestricted net assets of \$1,681,719 may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets decreased by \$139,054.
- The System's total debt obligation is \$1,170,000. This is a decrease of \$105,000 from the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the White Pigeon Sanitary System's basic financial statements. The System's basic financial statements are comprised of 1) government-wide financial statements, 2) proprietary fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

(1) Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

(2) Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The System's maintains one fund categorized as a proprietary fund.

(2a) Proprietary Funds

The System maintains one type of proprietary fund: an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The System maintains one individual enterprise fund. Information is presented separately in the proprietary statements of net assets and proprietary statement of revenues, expenses and changes in fund net assets for the Sewer Operation and Maintenance Fund, which is considered to be a major fund.

(3) Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are found on pages 8 – 15.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on pages 16 - 33. This section includes budgetary comparisons for the proprietary fund.

Governmental-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2004, the System's assets exceeded liabilities by \$7,023,007. By far the largest portion of the System's net assets (73%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets are reported net of related debt, it should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

With the first year implementation of GASB Statement 34, the System is not presenting comparable columns in the various comparisons or analyses for the prior year.

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

WHITE PIGEON SANITARY SYSTEM'S NET ASSETS

	Business-Type Activities 2004
Current and other assets	\$1,911,153
Capital assets	<u>6,298,363</u>
Total Assets	<u>\$8,209,516</u>
Current liabilities	\$ 121,509
Long-term liabilities	<u>1,065,000</u>
Total Liabilities	<u>\$1,186,509</u>
Net Assets:	
Invested in capital assets, net of related debt	\$5,128,363
Restricted for debt service	212,925
Unrestricted	<u>1,681,719</u>
Total Net Assets	<u>\$7,023,007</u>

The unrestricted balance of net assets (\$1,681,719) may be used to meet the System's ongoing obligations to customers and creditors.

Analysis of the System's Operations

The following table provides a summary of the System's operations for the year ended December 31, 2004.

SYSTEM'S CHANGES IN NET ASSETS

	Business-Type Activities 2004
Revenues:	
Program revenues:	
Charges for services	\$ 517,576
General revenues:	
Unrestricted investment earnings	<u>42,944</u>
Total revenues	<u>560,520</u>
Expenses:	
Public works	<u>699,574</u>
Increase/(Decrease) in net assets	(139,054)
Net assets - December 31, 2003	<u>7,162,061</u>
Net assets - December 31, 2004	<u>\$7,023,007</u>

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Business-type Activities

Business-type activities decreased the System's net assets by \$139,054 accounting for a 1.9% decline in the government's net assets. This decrease was primarily due to expenditures by the Treatment Plant. Personnel service expenses increased by approximately \$13,200. Repairs and maintenance on equipment accounted for the remaining increase in expenditures.

Financial Analysis of the Government's Funds

As noted earlier, the System uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Proprietary Funds

The System's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted nets assets of the Sewer Operation and Maintenance fund declined by \$139,053 to \$1,681,719 during 2004. Factors concerning the finances of these funds have already been addressed in the discussion of the System's business-type of activities.

Capital Assets

The System's investment in capital assets for the year ended December 31, 2004 amounts to \$6,298,363, net of accumulated depreciation. The investment in capital assets includes sewer system improvements and equipment within the Village and Township.

During the current fiscal year the System invested \$13,905 in a pole building. Additional information on the System's capital assets can be found in Notes 1 and 6 on pages 10 and 13.

Long-term Debt

At the end of the fiscal year, the System had \$1,170,000 in outstanding general obligation bonds, secured by specific revenue sources. These bonds relate to improvements to the sewer plant and collection system improvements.

**White Pigeon Sanitary System
Management's Discussion and Analysis
For the Year Ended December 31, 2004**

Economic Factors and Next Year's Budgets and Rates

The White Pigeon Sanitary System Board has shown fiscal responsibility in its planning for budget and spending practices. Monthly reports of bills for the previous month are submitted to the Council for their approval, additionally, a quarterly financial budget report is provided to Council. Budgets for the 2005 year were done on the following assumptions.

- Investment income is substantially reduced from previous budgets because of declining interest rates.

Requests for Information

This financial report is designed to provide a general overview of the White Pigeon Sanitary System's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to the White Pigeon Sanitary System, 16220 Indian Prairie Rd., White Pigeon, Michigan 49099.

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Business -Type Activities
ASSETS	
Cash and cash equivalents (Note 3)	\$ 412,552
Certificates of deposit	340,795
Investments, U.S. treasury securities	404,065
Accounts receivables, net (Note 5)	78,117
Sewer assessments receivable, net	432,850
Interest receivable	470
Prepaid expenses	14,787
Bond loan fees	14,592
Restricted cash and investments(Note 4)	212,925
Capital assets - net	6,298,363
Total Assets	<u>\$ 8,209,516</u>
LIABILITIES	
Accounts payable	\$ 6,577
Accrued payroll and other liabilities	9,932
Noncurrent liabilities	
Due within one year	105,000
Due in more than one year	1,065,000
Total Liabilities	<u>\$ 1,186,509</u>
NET ASSETS	
Invested in capital assets	
Net of related debt	\$ 5,128,363
Restricted for	
Debt service	212,925
Unrestricted	1,681,719
Total Net Assets	<u>\$ 7,023,007</u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Business - Type Activities
Business - Type Activities			
Administration	\$ 86,380	\$ -	\$ (86,380)
Collection system	76,208	106,668	30,460
Treatment plant	469,854	365,978	(103,876)
Interest on long-term debt	64,113	73,560	9,447
Bond discount	3,019		(3,019)
Total Business - Type Activities	<u>\$ 699,574</u>	<u>\$ 546,206</u>	(153,368)
General Revenues			
Unrestricted investment earnings			13,714
Miscellaneous revenues			600
Total General Revenues			14,314
Change in Net Assets			(139,054)
Net Assets - Beginning of Year			7,162,061
Net Assets - End of Year			<u>\$ 7,023,007</u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF NET ASSETS PROPRIETARY FUND DECEMBER 31, 2004

Business - Type Activities

Sanitary System

ASSETS

Current assets

Cash and cash equivalents

\$ 412,552

Certificates of deposit

340,795

Investments, U.S. treasury securities

404,065

Receivables, net

78,117

Sewer assessments receivable, net

39,653

Interest receivable

470

Prepaid expense

14,787

Total current assets

1,290,439

Noncurrent assets

Restricted cash and investments

212,925

Sewer assessments receivable, net

393,197

Bond loan fees

14,592

Capital assets, net

6,298,363

Total noncurrent assets

6,919,077

Total Assets

\$ 8,209,516

LIABILITIES

Current liabilities

Accounts payable

\$ 6,577

Accrued payroll and other liabilities

9,932

Current portion of noncurrent
liabilities

105,000

Total current liabilities

121,509

Noncurrent liabilities

Bonds, notes and loans payable

1,065,000

Total Liabilities

\$ 1,186,509

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUND
DECEMBER 31, 2004

	Business - Type Activities
	<u>Sanitary System</u>
NET ASSETS	
Invested in capital assets - Net of related debt	
Restricted for	5,128,363
Debt service	
Unrestricted	212,925
	<u>1,681,719</u>
Total Net Assets	<u><u>\$ 7,023,007</u></u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUND FOR THE YEAR ENDED DECEMBER 31, 2004

	Business - Type Activities
	Sanitary System
Operating revenues	
Sewer service fees	\$ 506,755
Sewer connection fees	3,525
Penalties	6,571
Permits	125
Miscellaneous	600
Total operating revenues	517,576
Operating expenses	
Administration	86,380
Collection system	76,208
Treatment plant	469,854
Total operating expenses	632,442
Operating income (loss)	(114,866)
Nonoperating revenues (expenses)	
Interest revenue	42,944
Interest expense	(64,112)
Bond loan program expense	(3,019)
Total nonoperating revenues (expenses)	(24,187)
Change in net assets	(139,053)
Total net assets - beginning of year	7,162,060
Total net assets - end of year	\$ 7,023,007

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business - Type Activities	Sanitary System
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 585,566	
Payments to suppliers	(162,427)	
Payments to employees	(195,885)	
	<u>227,254</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(14,005)	
Principal paid on bonds	(105,000)	
Interest paid on bonds	(64,665)	
	<u>(183,670)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of US Treasury Securities	(403,820)	
Decrease in monies held in certificate of deposits	479,761	
Interest received	44,908	
	<u>120,849</u>	
Net cash provided (used) by capital and related financing activities		
		164,433
Balances - beginning of year		<u>248,119</u>
Balances - end of year	\$	<u>412,552</u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business - Type Activities
	<u>Sanitary System</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (114,866)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	275,865
(Increase) decrease in assets	
Receivables	(5,916)
Sewer assessments receivable	73,906
Prepaid expenses	(299)
Interest receivable	
Increase (decrease) in liabilities	
Accounts payables	772
Accrued payroll	<u>(2,208)</u>
Net cash provided by operating activities	<u><u>\$ 227,254</u></u>

See accompanying notes to financial statements

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the White Pigeon Sanitary System conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. White Pigeon Sanitary System adopted GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, as of January 1, 2004. The following is a summary of the significant accounting policies used by the White Pigeon Sanitary System:

A. Reporting Entity

The White Pigeon Sanitary System operates under an appointed six member Board. Operating under an agreement between the Village of White Pigeon and the Township of White Pigeon, the System provides sewer services to certain residents of the Township and all of the residents of the Village.

The criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Accordingly, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. The Village of White Pigeon and the Township of White Pigeon are separate governmental units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported in separate columns in the fund financial statements. The Sanitary System has only one fund, an enterprise fund, to report on.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both 'measurable and available'. Revenue is considered to be 'available' if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be 'available' if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds are those through which most of the governmental functions typically are financed.

- a) **General Fund** - The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- b) **Special Revenue Fund** - The Special Revenue Fund accounts for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. There are no special revenue funds to report on.

The System has neither of these funds to report on.

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, and change in net assets and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Sanitary System - The Sanitary System Fund accounts for revenues generated from charges for sewer services to the residential and commercial users of the System. The Sanitary System fund also recognizes the portion of fees intended to recover connection costs (e.g., labor and materials to hook up new customers) as operating revenue. Another portion of sewer service fees is intended to recover the cost of debt service.

Fiduciary funds are used to account for assets held in a trustee capacity or as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are not included in the government-wide financial statements. The System has no fiduciary funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The System has elected to follow private sector standards issued after November 30, 1989 for its business-type activity.

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of certificates of deposit with initial maturity dates of less than one year.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables - No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Land improvements	10 years
Buildings and improvements	10 - 40 years
Sewer projects	25 - 50 years
Machinery & equipment	5 - 10 years
Office equipment	5 - 10 years
Software	3 years
Computer equipment	5 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The System has no infrastructure.

Compensated Absences (Vacation and Sick Leave) - It is the White Pigeon Sanitary System's policy to not permit employees to accumulate unused vacation or sick days from year to year.

Long-Term Obligations - In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In prior years the System's financial statements included a separately stated component of fund equity, along with "retained earnings" that reflected capital contributions. Under the new reporting model, these financial resources flow through the operating statements, and are closed to a single equity account.

Net Assets - In the government-wide financial statements net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available to pay an expenditure, it is the System's policy to use restricted resources first, then unrestricted resources as they are needed.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. At the annual meeting held in December the budget for the calendar year commencing January 1 is presented to assembled residents for their comment before it is given final approval. The Board must approve any revisions of the budgets.

The budget documents present information by function, department and line items. The legal level of budgetary control adopted by the governing body is by function.

In the Required Supplemental Information section of the financial statements, the System's actual expenditures and budgeted expenditures is shown for the proprietary funds. The System incurred fewer expenditures for all proprietary funds than budgeted, except for the Township Collection System. The Township Collection System budgeted for \$41,750 of expenditures and actually incurred \$41,878 of expenditures.

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

White Pigeon Sanitary System Board has designated ten banks for the deposit of the System's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts, certificates of deposit, and U.S. Treasury Securities, but not the remainder of State statutory authority as listed above. White Pigeon Sanitary System's deposits and investment policy are in accordance with statutory authority.

At fiscal year end, the System's deposits and investments were reported in the basic financial statements in the following categories:

	Business Type Activities
Cash and cash equivalents	\$ 412,552
Cash - restricted	98,381
Certificates of deposit	340,795
Certificates of deposit - restricted	114,544
U.S. Treasury Securities	<u>404,065</u>
Total	<u>\$1,370,337</u>

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

During the year as certificates of deposit matured they were rolled into new certificates and U.S. Treasury Securities.

The bank balance of the System's deposits is \$1,195,360 of which \$640,904 is covered by federal depository insurance and none is collateralized by U.S. Treasury securities held by the pledging financial institution's trust department in the System's name. All of the System's demand deposits and certificates of deposit have a fair market value that is equal to their carrying value. The System holds \$407,000 of U.S. Treasury Securities, due December 31, 2005, that are recorded on the books at their fair value of \$404,065.

NOTE 4 RECEIVABLES

Accounts receivable are summarized as follows:

	<u>2 0 0 4</u>
Village	\$21,968
Township	13,817
Mottville	244
Village Annex	2,175
Fish Lake	4,991
Lagrange County, Indiana	7,290
Delinquent/bankruptcy	<u>27,642</u>
Total accounts receivable	<u>\$78,117</u>

Sewer Assessments Receivable

Customers incurring the initial connection fees had the option of financing the fees over 38 years at an annual interest rate of 6%. At December 31, 2004 the current and long-term portions of the sewer assessment receivable are as follows:

	Beginning Balance	Additions/ Reductions	Receipts	Ending Balance	Due Within One Year	Long Term
Village	\$ 58,601	\$ 89	\$ 5,199	\$ 53,491	\$ 4,305	\$ 49,186
Township	82,773	-	13,340	69,433	5,788	63,645
Village Annex	153,744	(350)	13,227	140,167	12,337	127,830
Fish Lake	<u>211,638</u>	<u>(556)</u>	<u>41,323</u>	<u>169,759</u>	<u>17,223</u>	<u>152,536</u>
Total	<u>\$506,756</u>	<u>(\$817)</u>	<u>\$73,089</u>	<u>\$432,850</u>	<u>\$39,653</u>	<u>\$393,197</u>

NOTE 5 RESTRICTED ASSETS

In accordance with the bond ordinances of the Village and the Township of White Pigeon, the Bond and Interest Redemption Fund, the Bond Reserve Fund and the General Purpose Fund have been established and are restricted in use as specified in the ordinances.

Bond Redemption Reserves

	<u>2 0 0 4</u>
Bond Reserve	\$185,500
Bond and Interest Redemption	<u>27,425</u>
Total bond reserves	<u>\$212,925</u>

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 6 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended December 31, 2004:

Business - Type Activities

	Balance December 31, 2003	Increases	Decreases	Balance December 31, 2004
Capital assets being depreciated:				
Land improvements	\$ 3,222	\$ 100	\$ -	\$ 3,322
Buildings & improvements	116,427	13,905	-	130,332
Sewer projects	10,795,264	-	-	10,795,264
Machinery & equipment	82,128	-	-	82,128
Office equipment	24,213	-	230	23,983
Computer software	11,898	-	-	11,898
Subtotal	11,033,152	14,005	230	11,046,927
Less Accumulated depreciation for:				
Land improvements	523	135	-	658
Buildings & improvements	15,042	2,963	-	18,005
Sewer projects	4,389,461	262,022	-	4,651,483
Machinery & equipment	54,324	6,568	-	60,892
Office equipment	11,877	2,477	230	14,124
Computer software	1,702	1,700	-	3,402
Subtotal	4,472,929	275,865	230	4,748,564
Business - Type Activities				
Total Capital Assets-				
Net of depreciation	\$ 6,560,223	(\$261,860)	\$ 230	\$6,298,363

Depreciation expense for 2004 was \$275,865.

NOTE 7 PENSION PLAN

The System maintains a deferred contribution plan that covers all employees starting on their first day of employment who have reached the age of 18. Pension contributions are paid directly to the employees' individual retirement accounts. The employer contribution is 5% of eligible compensation. Employees may not contribute. For the year ended December 31, 2004, the employer contribution was \$7,394.

NOTE 8 LONG-TERM DEBT

Bonds Payable - Village of White Pigeon

Revenue refunding bonds, issued March 23, 1989 by St. Joseph County for the purpose of refunding and retiring certain revenue bonds are payable from the net revenue of the System.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 LONG-TERM DEBT (CONTINUED)

The revenue bond ordinance governing this issue requires deposits to be made each month to the Bond and Interest Redemption Fund for payment of principal and interest on the bonds, a sum equal to at least one-sixth of the interest due on the next ensuing interest due date, and not less than one-twelfth of the principal maturing on the next November 1. The ordinance also requires a Bond Reserve Fund of a minimum of 10% of the original issue or \$45,500.

All of the Refunding Bond which mature on or after November 1, 2003, are subject to redemption at the option of the Michigan Municipal Bond Authority on or after May 1, 2003 in whole or in part, at any time and, if in part, from such maturities as the Authority deems fair, at the respective redemption prices set forth below, plus accrued interest to the redemption date:

Redemption from May 1, 2003 to April 30, 2004	102%
Redemption from May 1, 2004 to April 30, 2005	101%
Redemption from May 1, 2005 and thereafter	100%

No premium shall be paid on bonds or portions thereof called for redemption on or after November 1, 2006.

Bond Payable – Sewer Extension

Limited tax general obligation wastewater system bonds, issued May 19, 1997 by St. Joseph County for the purpose of constructing sewer pipelines and plant improvements are payable from net revenues of the System.

The revenue bond ordinance governing this issue requires deposits to be made each month to the Bond and Interest Redemption Fund for the payment of principal and interest on the bonds at a sum equal to at least one-sixth of the interest due on the next ensuing interest due date and not less than one-twelfth of the principal maturing on the next November 1. The ordinance also requires a Bond Reserve Fund of a minimum of 10% of the original issue or \$140,000.

Bonds of this issue maturing in the years 1998 to 2005, inclusive, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing in the years 2006 to 2016, inclusive, shall be subject to redemption prior to maturity, at the option of the County, in such order as the County shall determine, on any interest payment date on or after November 1, 2005, at par and accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par, as follows:

Redemption from November 1, 2005 but prior to November 1, 2006, at 100.5% of par value of each Bond.

No premium shall be paid on bonds or portions thereof called for redemption on or after November 1, 2006.

WHITE PIGEON SANITARY SYSTEM, WHITE PIGEON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 8 LONG-TERM DEBT (CONTINUED)

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities				
Revenue Refunding Bonds, Series 1989, Village of White Pigeon Sewer System, issued by St. Joseph County on March 23, 1989, \$455,000 bond, varying interest rate, averaging 4.969%, maturing November 1, 2009.	\$ 200,000	(\$ 30,000)	\$ 170,000	\$ 30,000
Limited Tax General Obligation Wastewater System Bonds, issued by St. Joseph County on May 19, 1997, \$1,400,000 bond, 4.6 - 7% interest rate, maturing November 2017.	1,075,000	(75,000)	1,000,000	75,000
Total Business-Type Activities	\$1,275,000	(\$105,000)	\$1,170,000	\$105,000

Annual debt service requirements to maturity for the above obligations are as follows:

Year End June 30	VILLAGE DEBT		SEWER EXTENSION		Total
	Principal	Interest	Principal	Interest	
2005	\$ 30,000	\$ 8,250	\$ 75,000	\$ 51,300	\$ 164,550
2006	35,000	6,750	75,000	47,700	164,450
2007	35,000	5,000	75,000	44,025	159,025
2008	35,000	3,250	75,000	40,275	153,525
2009	35,000	1,500	75,000	36,525	148,025
2010-2014	-	-	385,000	124,275	509,275
2015-2019	-	-	240,000	25,200	265,200
Totals	<u>\$170,000</u>	<u>\$24,750</u>	<u>\$1,000,000</u>	<u>\$369,300</u>	<u>\$1,564,050</u>

NOTE 9 RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At year end there are no outstanding claims.

OTHER SUPPLEMENTARY INFORMATION

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE

PROPRIETARY FUND - SANITARY SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Operating revenues				
Sewer Service				
Village	\$ 189,175	\$ 189,530	\$ 189,433	\$ (97)
Township	138,600	153,130	152,700	(430)
Annexed Village	31,995	32,097	31,950	(147)
Fish Lake	42,350	42,324	42,379	55
Mottville Township	1,955	2,933	2,933	-
Indiana	86,912	87,360	87,360	-
Connections				
Village	-	3,525	3,525	-
Penalties				
Village	2,500	2,700	3,013	313
Township	1,300	1,600	1,839	239
Annexed Village	200	210	199	(11)
Fish Lake	1,500	1,400	1,471	71
Mottville Township	-	49	49	-
Permits				
Village	-	25	50	25
Township	-	-	25	25
Fish Lake	-	25	50	25
Miscellaneous				
Village	-	-	600	600
Total operating revenue	496,487	516,908	517,576	668

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating revenue				
Investment income				
Administration	\$ 7,500	\$ 1,700	\$ 3,654	\$ 1,954
Village debt	2,200	1,050	819	(231)
Township debt	5,000	1,000	889	(111)
Village Annex debt	500	1,010	682	(328)
Fish Lake debt	8,000	4,200	4,069	(131)
Expansion fund	1,300	900	1,423	523
Village collection	1,600	400	588	188
Township collection	5,300	1,000	1,474	474
Fish Lake collection	200	80	116	36
Interest on connections				
Village	-	-	3,476	3,476
Township	-	-	4,712	4,712
Village Annex	-	-	9,044	9,044
Fish Lake	-	-	11,998	11,998
Total non-operating revenue	31,600	11,340	42,944	31,604
Available for Appropriations	528,087	528,248	560,520	32,272

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Charges to appropriations (outflows)				
Operating expenses				
Administration				
Salaries and wages	\$ 38,500	\$ 38,500	\$ 37,377	\$ 1,123
Board fees	6,000	6,000	5,827	173
Payroll taxes	4,000	4,000	3,699	301
Health insurance	4,500	5,510	5,506	4
Pension expense	1,700	1,650	1,899	(249)
Supplies and postage	9,450	9,450	6,634	2,816
Computer services	6,000	3,000	1,726	1,274
Professional fees	8,400	8,400	6,497	1,903
Consultants	500	500	-	500
Telephone	2,500	2,500	2,289	211
Printing and publishing	150	250	215	35
Insurance	250	300	283	17
Utilities	1,500	1,500	1,324	176
Repair & maint.- equipment	500	1,100	1,106	(6)
Maintenance charges	1,500	2,150	2,679	(529)
Repair & maint. - building	250	250	-	250
Rental equipment	2,500	1,000	582	418
Bank service charges	100	50	10	40
Misc. administration	550	700	705	(5)
ACH debiting charges	900	900	792	108
Bad debt	1,200	100	90	10
Total Administration	90,950	87,810	79,240	8,570
Village Collection System				
Salaries and wages	3,100	3,150	2,989	161
Payroll taxes	240	250	237	13
Operating supplies	100	100	-	100
Gasoline and oil	450	600	642	(42)
Treatment chemicals	350	350	-	350
Insurance	830	900	896	4
Utilities	1,500	1,500	1,143	357
Repairs - equipment	1,500	3,800	3,600	200
Repairs - sewer	3,500	3,500	-	3,500
Telephone	300	300	254	46
Vehicle expense	220	400	594	(194)
Total Village Collection	12,090	14,850	10,355	4,495

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Township Collection System				
Salaries and wages	\$ 11,000	\$ 11,000	\$ 9,812	\$ 1,188
Payroll taxes	850	850	774	76
Operating supplies	100	100	-	100
Gasoline and oil	1,200	1,250	1,407	(157)
Treatment chemicals	3,600	1,200	1,530	(330)
Telephone	3,200	2,500	2,442	58
Vehicle expense	500	1,000	1,420	(420)
Insurance	3,000	3,350	3,303	47
Utilities	7,500	8,000	7,503	497
Repairs - equipment	12,000	12,000	13,640	(1,640)
Repairs - sewer	6,000	500	47	453
Total Township Collection	48,950	41,750	41,878	(128)
Annexed Village Collection System				
Salaries and wages	2,800	1,700	1,609	91
Payroll taxes	220	150	130	20
Operating supplies	75	75	-	75
Gasoline and oil	75	75	77	(2)
Treatment chemicals	250	250	-	250
Telephone	450	700	691	9
Vehicle expense	70	70	82	(12)
Insurance	550	600	566	34
Utilities	300	350	268	82
Repairs - equipment	200	600	593	7
Repairs - sewer	500	500	-	500
Total Annexed Village Collection	5,490	5,070	4,016	1,054

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Fish Lake Collection System				
Salaries and wages	\$ 2,900	\$ 2,600	\$ 1,948	\$ 652
Payroll taxes	220	220	156	64
Operating supplies	100	100	-	100
Gasoline and oil	100	150	128	22
Treatment chemicals	250	250	-	250
Telephone	500	500	393	107
Vehicle expense	85	100	146	(46)
Insurance	500	600	566	34
Utilities	600	600	545	55
Repairs - equipment	500	1,600	1,495	105
Repairs - sewer	500	500	-	500
Total Fish Lake Collection	6,255	7,220	5,377	1,843
Indiana Fish Lake Collection System				
Salaries and wages	3,000	2,000	1,684	316
Payroll taxes	230	200	135	65
Operating supplies	50	50	-	50
Gasoline and oil	100	150	128	22
Treatment chemicals	230	230	-	230
Telephone	500	650	410	240
Vehicle expense	85	600	146	454
Insurance	515	1,600	581	1,019
Utilities	600	250	544	(294)
Repairs - equipment	250	500	1,495	(995)
Repairs - sewer	250	100	-	100
Total Indiana Fish Lake Collection System	\$ 5,810	\$ 6,330	\$ 5,123	\$ 1,207

WHITE PIGEON SANITARY SYSTEM

BUDGETARY COMPARISON SCHEDULE (CONTINUED) PROPRIETARY FUND - SANITARY SYSTEM FOR THE YEAR ENDED DECEMBER 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Indiana Stone Lake Collection System				
Salaries and wages	\$ 5,350	\$ 3,500	\$ 3,154	\$ 346
Payroll taxes	430	300	254	46
Operating supplies	50	50	-	50
Gasoline and oil	250	250	255	(5)
Treatment chemicals	150	150	-	150
Telephone	3,000	3,000	2,574	426
Vehicle expense	100	175	265	(90)
Insurance	1,025	1,200	1,116	84
Utilities	1,020	1,100	1,054	46
Repairs - equipment	500	850	784	66
Repairs - sewer	250	250	3	247
Total Indiana Stone Lake Collection System	12,125	10,825	9,459	1,366
Treatment Plant				
Salaries and wages	83,000	90,000	87,091	2,909
Contract labor	500	500	-	500
Payroll taxes	6,300	7,000	6,640	360
Health insurance	17,000	17,300	17,259	41
Pension expense	6,000	6,000	5,495	505
Operating supplies	1,000	1,000	1,040	(40)
Expendable tools	3,000	3,000	2,684	316
Gasoline and oil	500	800	1,378	(578)
Treatment chemicals	10,000	10,000	9,361	639
Laboratory supplies	4,000	4,000	2,940	1,060
Consultants	3,000	3,000	3,959	(959)
Telephone	2,000	2,150	1,973	177
Vehicle expense	2,500	2,500	2,197	303
Insurance	21,000	21,000	20,985	15
Utilities	22,000	22,000	18,838	3,162
Repairs - equipment	7,000	18,000	16,129	1,871
Repairs - building	1,000	1,000	550	450
Equipment lease	500	500	116	384
Miscellaneous	1,500	1,500	2,494	(994)
Total Treatment Plant	191,800	211,250	201,129	10,121
Total Operating Expenses	373,470	385,105	356,577	28,528

WHITE PIGEON SANITARY SYSTEM

**BUDGETARY COMPARISON SCHEDULE (CONTINUED)
 PROPRIETARY FUND - SANITARY SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Non-operating Expenses				
Bond interest expense	\$ 64,600	\$ 64,665	\$ 64,112	\$ 553
Total Charges To Appropriations	<u>438,070</u>	<u>449,770</u>	<u>420,689</u>	<u>29,081</u>
Excess (Deficiency) of Resources Over Charges to Appropriations	90,017	78,478	139,831	61,353
Beginning of Year Fund Balance	<u>7,162,060</u>	<u>7,162,060</u>	<u>7,162,060</u>	
End of Year Fund Balance	<u>\$ 7,252,077</u>	<u>\$ 7,240,538</u>	7,301,891	<u>\$ 61,353</u>
Depreciation and amortization expense not budgeted for			<u>278,884</u>	
End of Year Balance as Reported on Proprietary Statement of Revenues Expenses and Changes in Net Assets			<u>\$ 7,023,007</u>	

WHITE PIGEON SANITARY SYSTEM

**SCHEDULE OF REVENUES, EXPENSES AND RESERVES
REPLACEMENT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>2004</u>
Revenues	
Village sewer service	\$ 156,509
Township sewer service	93,644
Village Annex sewer service	19,847
Fish Lake sewer service	25,338
Indiana sewer service	68,486
Interest income	<u>3,654</u>
Total revenues	367,479
Operating Expenses	
Administration	79,240
Treatment plant	<u>201,128</u>
Total expenses	<u>280,369</u>
Excess of revenues over expenses	87,111
Beginning balance	485,016
Increase (Decrease) by Board action	<u>(39,427)</u>
Ending balance	<u><u>\$ 445,589</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service	\$ 11,452
Penalties	3,013
Investment income	<u>587</u>
Total revenues	15,053
Operating Expenses	
Salaries and wages	2,989
Payroll taxes	237
Gasoline and oil	642
Telephone	254
Vehicle expense	594
Insurance	895
Utilities	1,143
Repairs and maintenance	<u>3,600</u>
Total expenses	<u>10,354</u>
Excess of revenues over expenses	4,698
Beginning balance	68,087
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 72,785</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service	\$ 59,055
Penalties	1,839
Investment income	<u>1,474</u>
Total revenues	62,368
Operating Expenses	
Salaries and wages	9,812
Payroll taxes	774
Gasoline and oil	1,407
Telephone	2,442
Vehicle expense	1,420
Treatment chemicals	1,530
Insurance	3,302
Utilities	7,503
Repairs and maintenance	<u>13,687</u>
Total expenses	<u>41,877</u>
Excess of revenues over expenses	20,491
Beginning balance	84,305
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 104,796</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service	\$ 4,411
Penalties	248
Investment income	-
	<hr/>
Total revenues	4,659
 Operating Expenses	
Salaries and wages	1,609
Payroll taxes	130
Gasoline and oil	77
Telephone	691
Vehicle expense	82
Insurance	566
Utilities	268
Repairs and maintenance	593
	<hr/>
Total expenses	4,016
	<hr/>
Excess (Deficiency) of revenues over expenses	643
Beginning balance	966
Increase (Decrease) by Board action	-
	<hr/>
Ending balance	<u><u>\$ 1,609</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service fees	\$ 6,180
Penalties	1,471
Investment income	<u>116</u>
Total revenues	7,767
Operating Expenses	
Salaries and wages	1,948
Payroll taxes	156
Gasoline and oil	128
Telephone	393
Vehicle expense	146
Insurance	566
Utilities	544
Repairs and maintenance	<u>1,495</u>
Total expenses	<u>5,376</u>
Excess (Deficiency) of revenues over expenses	2,391
Beginning balance	19,841
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 22,232</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULES OF REVENUES, EXPENSES AND RESERVES
INDIANA COLLECTION RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service	\$ 18,874
Total revenues	18,874
Operating Expenses	
Salaries and wages	4,838
Payroll taxes	389
Gasoline and oil	383
Telephone	2,983
Vehicle expense	411
Insurance	1,697
Utilities	1,598
Repairs and maintenance	2,282
Total expenses	14,581
Excess (Deficiency) of revenues over expenses	4,293
Beginning deficit	(2,562)
Increase (Decrease) by Board action	-
Ending deficit	<u>\$ 1,731</u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service fees	\$ 21,472
Connections	3,525
Assessment interest	3,476
Assessment principal	5,111
Investment income	<u>819</u>
Total revenues	34,403
Operating Expenses	
Bond interest	16,463
Bond principal	<u>39,548</u>
Total expenses	<u>56,011</u>
Excess (Deficiency) of revenues over expenses	(21,608)
Beginning balance	107,156
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 85,548</u></u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULE OF REVENUES, EXPENSES AND RESERVES
TOWNSHIP DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service fees	\$ -
Assessment interest	4,712
Assessment principal	13,341
Investment income	<u>889</u>
Total revenues	18,942
Operating Expenses	
Bond interest	4,592
Bond principal	<u>6,308</u>
Total expenses	<u>10,900</u>
Excess (Deficiency) of revenues over expenses	8,042
Beginning balance	92,903
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 100,945</u></u>

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
VILLAGE ANNEX DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service fees	\$ 8,471
Assessment interest	9,044
Assessment principal	13,577
Connections	-
Investment income	<u>682</u>
Total revenues	31,774
Operating Expenses	
Bond interest	12,727
Bond principal	<u>17,483</u>
Total expenses	<u>30,210</u>
Excess (Deficiency) of revenues over expenses	1,564
Beginning balance	54,152
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u>\$ 55,716</u>

WHITE PIGEON SANITARY SYSTEM
SCHEDULES OF REVENUES, EXPENSES AND RESERVES
FISH LAKE DEBT RESERVE
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Sewer service fees	\$ 10,861
Assessment interest	11,998
Assessment principal	41,880
Investment income	<u>4,069</u>
Total revenues	68,808
Operating Expenses	
Bond interest	30,330
Bond principal	<u>41,663</u>
Total expenses	<u>71,993</u>
Excess (Deficiency) of revenues over expenses	(3,185)
Beginning balance	380,445
Increase (Decrease) by Board action	<u>-</u>
Ending balance	<u><u>\$ 377,260</u></u>

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF REVENUES, EXPENSES AND RESERVES
EXPANSION FUND

FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>2004</u>
Revenues	
Mottville sewer service	\$ 2,153
Permits	125
Investment income	<u>1,423</u>
Total revenues	3,701
Beginning balance	98,024
Increase (Decrease) by Board action	<u>39,427</u>
Ending balance	<u>\$ 141,152</u>

WHITE PIGEON SANITARY SYSTEM

SCHEDULE OF ALLOCATION OF BOND INDEBTEDNESS
1997 SERIES SEWER IMPROVEMENT BONDS
DECEMBER 31, 2004

YEAR DUE	VILLAGE 12.73%		TOWNSHIP 8.41%		VILLAGE ANNEX 23.31%		FISH LAKE 55.55%		TOTALS 100%	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2005	\$ 9,547.50	\$ 6,530.49	\$ 6,307.50	\$ 4,314.33	\$ 17,482.50	\$ 11,958.03	\$ 41,662.50	\$ 28,497.15	\$ 75,000.00	\$ 51,300.00
2006	9,547.50	6,072.21	6,307.50	4,011.57	17,482.50	11,118.87	41,662.50	26,497.35	75,000.00	47,700.00
2007	9,547.50	5,604.38	6,307.50	3,702.50	17,482.50	10,262.23	41,662.50	24,455.89	75,000.00	44,025.00
2008	9,547.50	5,127.01	6,307.50	3,387.13	17,482.50	9,388.10	41,662.50	22,372.76	75,000.00	40,275.00
2009	9,547.50	4,649.63	6,307.50	3,071.75	17,482.50	8,513.98	41,662.50	20,289.64	75,000.00	36,525.00
2010	9,547.50	4,162.71	6,307.50	2,750.07	17,482.50	7,622.37	41,662.50	18,164.85	75,000.00	32,700.00
2011	9,547.50	3,671.01	6,307.50	2,425.23	17,482.50	6,722.02	41,662.50	16,019.23	75,000.00	28,837.50
2012	9,547.50	3,174.54	6,307.50	2,097.24	17,482.50	5,812.93	41,662.50	13,852.78	75,000.00	24,937.50
2013	10,184.00	2,673.30	6,728.00	1,766.10	18,648.00	4,895.10	44,440.00	11,665.50	80,000.00	21,000.00
2014	10,184.00	2,138.64	6,728.00	1,412.88	18,648.00	3,916.08	44,440.00	9,332.40	80,000.00	16,800.00
2015	10,184.00	1,603.98	6,728.00	1,059.66	18,648.00	2,937.06	44,440.00	6,999.30	80,000.00	12,600.00
2016	10,184.00	1,069.32	6,728.00	706.44	18,648.00	1,958.04	44,440.00	4,666.20	80,000.00	8,400.00
2017	10,184.00	534.66	6,728.00	353.22	18,648.00	979.02	44,440.00	2,333.10	80,000.00	4,200.00
	<u>\$ 127,300.00</u>	<u>\$ 47,011.89</u>	<u>\$ 84,100.00</u>	<u>\$ 31,058.13</u>	<u>\$ 233,100.00</u>	<u>\$ 86,083.83</u>	<u>\$ 555,500.00</u>	<u>\$ 205,146.15</u>	<u>\$ 1,000,000</u>	<u>\$ 369,300</u>